

**Wausau Business Insurance Company
Statement of Actuarial Opinion
Regarding Loss and Loss Adjustment Expense Reserves**

IDENTIFICATION

I, Roy K. Morell, am Vice President and Chief Actuary of the Liberty Mutual Insurance Company. I am a Fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries (AAA). I meet the qualification standards of the AAA to render this actuarial opinion. I was appointed by the Board of Directors of the **Wausau Business Insurance Company** (hereinafter referred to as "the Company") on November 19, 1999, to render this opinion. The Company is an affiliated company under common management with the Liberty Mutual Insurance Company.

SCOPE

I have examined the reserves listed in Exhibit A, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of **December 31, 2008**.

The items listed in Exhibit A, on which an opinion is expressed, reflect the Loss Reserve Disclosure items listed in Exhibit B.

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by John Doyle, Vice President & Comptroller, Liberty Mutual Insurance Company. I evaluated that data for reasonableness and consistency. I also reconciled that data to Schedule P – Part 1 of the Company's current annual statement. In other respects, my examination included the use of such actuarial assumptions and methods and such tests of the calculations as I considered necessary.

OPINION

In my opinion, the amounts carried by **Wausau Business Insurance Company** and listed in Exhibit A on account of the items identified:

- a. meet the requirements of the insurance laws of the state of **Wisconsin**
- b. are computed in accordance with accepted loss reserving standards and principles.
- c. make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its contracts and agreements.

RELEVANT COMMENTS

- 1. Risk of Material Adverse Deviation: The selected standard of materiality is shown in Exhibit B. The basis for selecting that amount is the lesser of the following amounts:
 - a. 10% of net loss & LAE reserves
 - b. 20% of policyholder surplus
 - c. the difference between RBC Total Adjusted Capital and RBC Company Action Level Capital

My selection of the materiality standard considers that this opinion is prepared for the regulatory review of the Company. In this instance, item ‘a’ above was the selected amount.

The Company writes a variety of coverages whose major risk factors materially impact on the variability of the Company’s reserves and could result in a Material Adverse Deviation in reserves. I have identified the major risk factors as worker’s compensation medical inflation and asbestos and pollution claims. There is much uncertainty as to the number and identity of insureds with potential A&E exposure, and unresolved legal issues regarding policy coverage. The absence of other risk factors from this listing does not imply that additional factors will not be identified in the future as having been a significant influence on the Company’s reserves.

Because of the risk factors noted in the preceding paragraph and the resulting inherent variability in reserve estimates, this could reasonably result in a material adverse deviation from the carried reserve amounts.

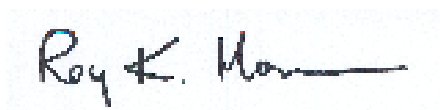
- 2. Salvage and Subrogation: Loss and LAE reserves are net of anticipated salvage and subrogation recoveries. Detail by line of business and accident year is shown in Schedule P, Parts 1, column 23 and summarized in Exhibit B.
- 3. Discounting: By assuming its share of pooled results, the Company loss reserves are discounted. The Company loss reserves for indemnity benefits on Workers' Compensation pension cases are subject to tabular discounting at 4% per annum, based on approved Unit Statistical Plan tables. Asbestos structured settlement reserves are discounted at 4.5%. The total discount amount on these reserves is shown in Exhibit B.
- 4. Pools and Associations: The Company does not participate in external voluntary and involuntary pooling arrangements. However, by its participation in inter-company pooling, the Company reserves include its share of such pool reserves. The net amount of the reserves is shown in Exhibit B.

There is a pooling agreement between nine companies in the Liberty Mutual Group. The Company receives **0.4%** of the total pooled reserves.

5. Retroactive Reinsurance and Financial Reinsurance: The Company, by virtue of its participation in the Liberty Mutual Inter-company Pool, has a share of reinsurance contracts, which are accounted for as retroactive reinsurance. The Company share of net reserves transferred and the resulting special surplus is shown in Exhibit B. These amounts are disclosed on the liability page. I am not aware of any contract that should be accounted for as financial reinsurance.
6. Reinsurance Collectibility: The reinsurance recoveries on unpaid losses and loss adjustment expenses are entirely from affiliated carriers and these are fully collectible.
7. IRIS Reserve Adequacy Tests: The company passes IRIS tests #11, #12, and test #13.
8. Mass Tort Exposure: The Company has exposure to asbestos, environmental, and toxic tort claims. The Company's exposure arises from the inter-company reinsurance pooling agreement. The Company procedures for setting such reserves are outlined in the opinion letter for the parent. The amount that the Company currently holds for such exposures is shown in Exhibit B.

The Company has represented to me that they write no policies or contracts related to single or fixed premium policies with coverage periods of thirteen months or greater which are non-cancelable and not subject to premium increase (excluding financial guaranty contracts, mortgage guaranty policies, and surety contracts). Therefore, no opinion is expressed with respect to the unearned premium reserve or any component thereof.

An actuarial report supporting the findings expressed in this statement of actuarial opinion will be retained for a period of seven years in the administrative offices of the Company and available for regulatory examination.



Roy K. Morell, FCAS, MAAA
Vice President & Chief Actuary

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February 25, 2009

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Regarding Loss And Loss Adjustment Expense Reserves
Exhibit A: SCOPE

	Column 1
<u>Loss Reserves</u>	<u>Amount</u>
1 Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Col. 1, Line 1)	\$ 66,427,802
2 Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus, and Other Funds page, Col. 1, Line 3)	\$ 12,998,554
3 Reserve of Unpaid Losses - Direct and Assumed (Schedule P, Part 1, Totals from Cols. 13 and 15, Line 12 * 1000)	\$ 99,044,000
4 Reserve for Unpaid Loss Adjustment Expenses - Direct and Assumed (Schedule P, Part 1, Totals from Cols. 17, 19 and 21, Line 12 * 1000)	\$ 17,317,000
5 The Page 3 write-in item reserve, "Retroactive Reinsurance Reserve Assumed"	\$ -
6 Other Loss Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	none
<u>Premium Reserves</u>	<u>Amount</u>
7 Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts	\$ -
8 Reserve for Net unearned Premiums for Long Duration Contracts	\$ -
9 Other Premium Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	none

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Exhibit B: DISCLOSURES

	Col. 1	Col. 2	Col. 3	Col. 4
1 Name of the Appointed Actuary		Morell	Roy	K.
2 The Appointed Actuary's relationship to the Company (Enter E if an employee or C if a consultant)			E	
3 The Appointed Actuary is a Qualified Actuary based upon what qualification? (Enter F, A, M, or O)			F	
4 Type of Opinion, as identified in the OPINION paragraph: (R=reasonable, I=inadequate, E=excessive, Q=qualified, N=No Opinion)			R	
5 Materiality Standard expressed in \$US (used in Q.#6)	\$7,900,000			
6 Is there a Significant Risk of Material Adverse Deviation?				Yes
7 Statutory Surplus (Liabilities, Col. 1, Line 35)	\$53,648,140			
8 Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P (Part 1 Summary, Col. 23, Line 12 * 1000)	\$1,831,000			
9 Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P:				
9.1 Nontabular Discount	\$0			
9.2 Tabular Discount	\$4,241,862			
10 Net reserves for losses and expenses for the company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and expenses that are included in reserves shown on AS page 3, lines 1 and 3.	\$2,788,312			
11 The net reserves for losses and loss adjustment expenses that the company carries for the following liabilities included on AS page 3, lines 1 and 3.				
11.1 Asbestos, as disclosed in Notes to Financial Statements	\$2,637,427			
11.2 Environmental, as disclosed in Notes to Financial	\$1,246,348			
12 The total claims made extended loss and expense reserve (Schedule P Interrogatories).				
12.1 Amount reported as loss reserves	\$0			
12.2 Amount reported as unearned premium reserves	\$0			
13 Retroactive Reinsurance & Financial Reinsurance				
13.1 Retroactive reinsurance reserves transferred (page 3, write-ins for line 23)	\$8,867,324			
13.2 Special Surplus from retroactive reinsurance (page 3, write-ins for line 27)	\$5,048,336			